

# Management News

**Business Conditions and Forecasts**

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## President's Scratchpad

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### What Executives Are Reading

SOME YEARS BACK a large New York department store used to sell sets of books in handsome bindings bearing equally impressive titles. These sets were most reasonably priced, considering their format. The low cost to the consumer was made possible by the fact that the pages, from cover to cover, were absolutely blank. They were advertised and sold as "decorator's library items" to people who presumably had embarrassing expanses of empty library shelving in their homes and whose visitors were probably of sufficiently similar intellect to be depended on never to browse through the "decorations" and take one down from the shelf for their own enlightenment.

This is a rather extreme illustration, perhaps, but it serves to highlight the generally acknowledged fact that a great many people feel a social compunction to exhibit interest in "duty reading"—to seem to own the world's good books and perhaps even go through the painful motions of seeming to read them.

It is rather heartening, therefore, to observe that the reading habits of management, on the whole, are far afield of the "decorator's" class. To paraphrase the artist who said, "I paint what I see," the literary habits of business men could be summarized by the statement, "I read what I need." And they read a great deal.

This is supported not only by my own observations but also by a recent survey of the reading habits of executives conducted by the *Harvard Business Review*.<sup>\*</sup> The major conclusions of the study are that most business executives do a great deal of reading related to their business interests and that most of the books they read are of an extremely practical nature. "Not only do the general comments create the impression that business men are seeking books of real practical value," the report points out, "but the titles indicate the preponderance of reading in this area as contrasted to theoretical or philosophical studies of business administration." Though the emphasis here seems to be on the specific, the "how-to" type of literature, the observation is also made that the nearer the executive is to the top, the broader his reading interests and the more concerned is he with books relating to management principles and executive action. Thus what may seem "theoretical" at one rung of the executive hierarchy becomes intensely "practical" higher up.

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<sup>\*</sup>May, 1949.

## Trends in Business

### General Outlook

While the gradual downtrend in business activity is continuing, some of the industries which were the first to experience declines now seem on the upturn again, notably textiles and shoes.

In May, weekly earnings of factory workers increased for the first time in four months—from \$52.70 to \$53.08—largely due to a slight increase in the average length of the workweek. In June non-agricultural employment rose by 204,000 to 49.9 million, reversing a five-month decline.

Business commentators are, however, cautiously avoiding any over-optimism. Dun & Bradstreet reports that a poll of executives in 610 firms shows the consensus to be that the gradual decline will continue during the second half of the year, and that business volume at the year-end will be moderately below the preceding year's peak. *Business Week* states that while the liquidation of inventories may be expected to come to an end next fall, the trimming process is bound to continue for the next 60 days at least. It also suggests that the automobile industry—which is continuing to operate at boom levels—may experience a "return to normalcy" next winter, with a consequent downpull on the economy.

### Production

The Federal Reserve Board's seasonally adjusted index of industrial production dropped five points between May and June, from 174 to 169 (1935-39=100). This was a decline of about 13 per cent from the peak of last November.

Output of non-durable goods was off about 10 per cent from the levels of last

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## President's Scratchpad

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Our experience here at AMA certainly bears out the first major finding of this study—that most business executives do a great deal of reading related to their business interests. The AMA library, which is the most complete of its kind in existence, receives copies of every significant book in all fields of business and related social sciences. Our librarian tells me that the influx of such literature over the past two or three years has increased considerably. As a result, the book sections of AMA's periodicals had to be expanded over the past year to accommodate the reviews or listings of approximately 400 outstanding works in different fields of management—and these were selected from almost double that number of volumes passing across our editors' desks. Inquiries to our library and requests for reference material, moreover, have shown an even more marked increase. It is of more than passing interest, by the way, that our library and research departments report a growing concentration of inquiries and requests for material on human relations and supervisory development and training.

Our librarian tells me further that the number of companies starting special libraries to keep themselves posted on developments in their respective fields has doubled during the past ten years, according to a report by the Special Libraries Association. An estimated 1,300 companies now have their own libraries of specialized business information. All these developments testify to the acceleration of supply and demand for printed management information.

So much for the quantitative measures. I wondered also whether the interests of the AMA membership were in agreement, qualitatively, with those brought out in the *Harvard Business Review* report, which was based on a study of its subscribers. What kind of management literature are our members reading?

Perhaps a fair measure of the current interests is our library's tabulation of the 20 books most frequently requested by members during the past two months (excluding AMA publications). The list changes, of course, from month to month as one book of current interest replaces another. Significantly enough, however, most of the books currently listed could certainly be called practical, yet more than a few of them are management classics.

I shall not name them in order of popularity. But I should like to mention, first, a comparatively new book which is currently receiving a great deal of attention—*The Proper Study of Mankind* by Stuart Chase. This study explores the possibilities of applying the scientific method, which has proved so successful in problems of matter, to problems of human relations. It is a most interesting summary of the progress made thus far in this direction by sociologists, psychologists, anthropologists, economists, political scientists, and practitioners in other social sciences. Earlier works, included on the current AMA list, which exemplify the application of the social sciences in certain specific areas of management are *Management and the Worker* by F. J. Roeth-

lisberger and William J. Dickson, *Industrial Psychology* by Joseph Tiffin, and *How to Interview* by W. V. Bingham and B. V. Moore.

This list, as a matter of fact, seems to cut across almost every important area of managerial thought and action. The over-all problems of organization and top management control are represented here by four basic works which have enjoyed sustained popularity: *Top-Management Organization and Control* by Paul E. Holden, L. S. Fish, and H. L. Smith; *The Principles of Organization* by James D. Mooney; *The Technique of Executive Control* by Erwin H. Schell; and *The Functions of the Executive* by Chester I. Barnard. The development and functions of those immediately below top management—"junior administrators"—are given consideration in *Middle Management* by Mary C. Niles.

Moving down the current AMA list from works on top and middle management, we come to four books which are concerned with the relationships of these management groups with the workers in the organization—*Personnel Management and Industrial Relations* by Dale Yoder; *Personnel Management* by W. D. Scott, R. C. Clothier, S. B. Mathewson, and W. R. Spriegel; *Bargaining with Organized Labor* by Richard C. Smyth and Matthew J. Murphy; and *Labor Relations and Human Relations* by Benjamin M. Selekman.

Certain tools and techniques for implementing these relationships are covered in four other books on the current AMA library list: *Training Employees and Managers for Production and Teamwork* by Earl G. Planty, *Sharing Information with Employees* by Alexander R. Heron, *Job Evaluation and Employee Rating* by Smyth and Murphy, and *Wage Incentive Methods: Their Selection; Installation and Operation* by Charles W. Lytle. Two other books on specialized methods and cost controls—*Office Management: A Handbook*, edited by Coleman L. Maze, and *Rebuilding the Sales Staff* by Saul Poliak—and the recent Sumner Slichter study, *The American Economy*, complete the list.

No mere "decorator's items," these. Some are enduring works; others will become less so as we gain experience and insight. But all are practical—in the field of things or in the field of ideas, from which things are ultimately fashioned.

## Trends in Business

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fall; output of durable goods was down 15 per cent.

### Distribution

Dollar volume of retail trade in June amounted to approximately \$10.3 billion, below last year's peak level of \$10.9 billion, but well above the \$9.5 billion of June, 1947.

The Alexander Hamilton Institute estimates that if volume continues at present levels, the total for the year may not be more than 5 per cent below the 1948 peak of \$129.9 billion.

### Construction

Building permit values (Dun & Bradstreet figures, 215 cities) rose by 19.2 per cent between May and June, and were 3.2 per cent above the level for June of 1948,

# Research

## Personnel Forms and Records

An important part of the streamlining of personnel departments currently taking place is the re-evaluation of personnel forms. Some executives are finding that their forms are no longer fulfilling the functions for which they were originally intended. Others realize an even more serious waste exists, for many personnel forms and records in use today reflect confusion concerning the principles and techniques of personnel administration.

AMA has had the cooperation of both member and non-member companies during the course of research for its forthcoming *Handbook of Personnel Forms and Records*.<sup>1</sup> Forms used in every personnel activity are reproduced in this research report, classified into four major divisions: Employment and Placement; Wage and Salary Administration; Manpower Inventory and Development; and Employee Relations. AMA's objective, of course, is not to prescribe sample forms: The narrative sections of the *Handbook* emphasize the content of each type of form, bringing out the objectives of the particular personnel operation and the underlying principles governing its administration.

The kind of consideration that must precede the proper development of personnel records is suggested by the following comment on employee selection and evaluation forms—probably the most difficult group of forms to design.

**General guides** • Very few companies have made an effort to determine whether items on their application forms have any significance in distinguishing potentially efficient applicants from others, yet the average application form is a formidable document (particularly in the kind and amount of personal information asked).<sup>2</sup> AMA lists in its research report a large number of items culled from hundreds of application forms, but suggests the following guide in considering the appropriateness of any item for a particular company's use:

1. Is the item necessary for identifying the applicant?
2. Is it necessary for screening out those who are ineligible under the company's basic hiring policies? Specifically, what policy does it pertain to?
3. Does it help to decide whether the candidate is qualified? How?
4. Is it based on analysis of the job or jobs for which applicants will be selected?
5. Has it been pre-tested on the company's employees and found to correlate with success?
6. Will the information be used? How?
7. Is the application form the proper place to ask for it?
8. To what extent will answers duplicate information to be obtained at another step in the selection procedure—for example, through interviews, tests, or medical examinations?

tion procedure—for example, through interviews, tests, or medical examinations?

9. Is the information needed for selection at all, or should it be obtained at induction or even later?
10. Is it probable that applicants' replies will be reliable?
11. Does the question violate any applicable Federal or state legislation?

These criteria suggest three possible courses:

- A. *Design one form for all applicants.* An omnibus type of application form functions satisfactorily if:
  1. Items refer primarily to vital statistics and similar identifying data; education and training; work experience; occupational skills and pertinent interests; licenses, certificates, tools, patents, publications, and other vocational data.
  2. Any additional items are based on analysis of the jobs for which applicants are to be selected. Ideally, only items common to all the jobs should appear on an omnibus form.
- B. *Design one basic form for all applicants but supplement it with special sheets to obtain additional information pertinent to the various occupational groups.* These supplements are often printed on paper of different colors for easy identification.
- C. *Design a separate application form for each major occupational class or for some of them—for example, executives and supervisors, salesmen, professional workers, technical staff, production employees, office employees, maintenance men, unskilled employees.*

It is also valuable to allow several inches on the form—or even a whole page—in which the applicant can express himself freely, rather than merely follow a pattern laid out for him.

**Preliminary applications** • To save on interviewing time, many companies use a preliminary application containing a few key items to eliminate those who are most unsuited for employment with them and reserve the more detailed blanks for those who pass this first hurdle. The preliminary form is also used when the company has no openings in certain types of jobs and anticipates none in the near future.

**Registration-type applications** • Minimum function of the application form is to provide an introduction to the employment interviewer. It may also serve as a record of employment or rejection of the applicant. Where it is appropriate to limit the use of an application form in this way, it may require no detailed information, being merely a registration of the prospective employee's name, address, age, marital status, social security number, education and training, names of former employers, the job for which he is applying, and his signature.

**The selective application** • By including additional items, an attempt is made to develop the application form into a selection aid. If it is being used in this way the application should require information that job analysis has shown to be relevant to the work applicants are being selected for. Primarily this type of

<sup>1</sup>Research Report 16, approximately 190 pp., to be published late this summer.  
<sup>2</sup>See *Management News*, July 22, 1948.



application form provides *clues* for the interviewer; it is not relied on heavily as a selection device. It is valuable because it is based on the premise that a more effective employment job can be done by objectively analyzing job requirements and comparing them with the applicant's qualifications. Each item for such a form should be carefully analyzed with respect to the 11 criteria enumerated above.

**Weighted application forms** • A few companies have developed application forms in which the items, after extensive research, have been assigned numerical weights according to their relative values in predicting success in the work involved. Scores on all items are totaled to determine whether the applicant has reached the critical score that has been found to differentiate between those who succeed and those who do not.

The *AMA Handbook* indicates the procedure for developing such a form but does not reproduce any example of this type. This precaution is taken to eliminate any possibility of a faulty adaptation of existing weighted application forms, for an item valid for one type of work may be invalid—or even negative—in its prediction of success on other jobs. Therefore no item should be transferred from one field to another without research. *AMA's Handbook* does name outstanding examples of the weighted application and lists the principal references to this subject.

Familiarity with some of the problems in developing a weighted application is helpful when one comes to preparing one of the simpler forms. In one investigation (Uhrbock and Richardson), only four of the 15 items on the company's application form showed a constant relation with success on the job. Whether applicants were married or single, owned or rented a home, belonged or did not belong to clubs, were fond of or not interested in sports, had or had not had previous supervisory experience, had or had not dependents—all this information required by the application blank had no value in helping management select successful supervisors for this company.

Some of the information asked for on the ordinary application form, of course, is desired for purposes other than selection. Consideration of the 11 criteria mentioned above, however, will insure that each item being included on the form is chosen for a specific reason, and the proper *timing* of the question will have received consideration.

**Interview records** • Many companies provide forms for employment interviewers, operating supervisors and others to use in recording their impressions of an applicant and making recommendations concerning his suitability for employment. The following depends solely on the particular interviewer's skill but, where appropriate, can function as a highly satisfactory report:

- "A. Comment on anything that strikes you forcibly in interviewing this applicant—both positive and negative factors. In giving your impression indicate, wherever possible, the characteristic or behavior that accounts for your reaction.

- "B. Rate the applicant as 'Outstanding,' 'Good,' 'Fair,' or 'Not Acceptable,' as a candidate for employment in our company. Be specific about the kind of job requirements you are comparing with his qualifications as you see them. You may rate the applicant's suitability for more than one job, of course."

Rating scales are quite commonly used to increase the reliability of interviewers' estimates. Some companies *systematize* the interview by providing interviewing aids that indicate the general approach to be taken, suggest questions the interviewer may find it helpful to ask the applicant, or questions for the interviewer to ask himself in appraising the applicant's qualifications. Other companies are using a *patterned* interview in which the interviewer questions the applicant according to a pattern. Examples of these various interview records are reproduced in *AMA's Handbook*.

**References** • In a previous issue of *Management News*<sup>3</sup> AMA reported various ways in which companies make an effort to increase the *proportion* of replies received from reference inquiries, and to insure higher *reliability* of the information so obtained. Further investigation of this latter problem indicates that the following points, useful in *giving* information about former employees are, in reverse, quite helpful in evaluating information *received* about applicants:

1. Always keep in mind the recipient and the use to be made of the information.
2. Date every statement to show *when* it was true.
3. Discriminate between facts and opinions.
4. Relate statements as much as possible to circumstances—for example, state that a person made such and such a record in such a sort of job situation.
5. Do not attempt predictions for any and all situations; and—even where information is available on the job the candidate may fill—consider with particular care the evidence on which you base any statements of a person's potentialities.

**Long-term objectives** • For the first time in several years the labor market makes it possible to do a more selective placement job and, therefore, personnel forms such as those mentioned are of special interest in re-gearing personnel departments. Of quite equal importance, however, are records that facilitate management of the company's *internal* labor supply.

The narrative sections of *AMA's Handbook* have been kept to a minimum in order to permit the reproduction of a large number of forms, but it is hoped that the report will lend itself to a properly reflective and critical analysis of all personnel records, enhanced by each company's own experience and particular requirements. The task is, actually, a continuing one, for all forms must be *periodically* reviewed.

AMA sincerely appreciates and acknowledges the valuable cooperation of the companies that participated in this study on the improvement of personnel forms and records.

—EILEEN AHERN

<sup>3</sup>November, 1948.

# Listening Post

JAMES O. RICE



## Anti-discrimination laws •

This year four states—Washington, Oregon, Rhode Island, and New Mexico—have passed laws aimed at preventing discrimination in employment on the ground of race, creed, color, or national origin. This brings the total number of states with anti-discrimination statutes on their books to eight: Laws

were passed earlier in New York, New Jersey, Massachusetts, and Connecticut.

Though it would probably be wise for the employer who is in doubt about the legality of certain pre-employment inquiries to check with authorities in his own state, the new annual report of the New York State Commission Against Discrimination contains rulings which should provide some guidance. (New York was the first state to pass legislation of this type.)

"In its interpretation of pre-employment inquiries," the Report states, "the Commission has not merely declared particular inquiries to be unlawful but has, in many instances, consulted with employers and employment agencies as to the purpose of the inquiry and the information desired. The Commission has then undertaken to suggest substitute inquiries which are not unlawful and achieve the same result. For example, an employer who inquires on his application form, 'In the event of serious illness on the job, do you desire the services of a minister of religion? If so, what religion?' asks these questions for a legitimate purpose. However, the answer . . . will necessarily reveal the creed of the applicant, and for this reason the Commission rules such inquiries to be unlawful. In such instances, the Commission suggests the use of a substitute inquiry, such as, 'In the event of serious injury on the job, whom do you wish notified?'"

The report also states that where the employer can show that race, creed, color, or national origin constitutes a bona fide occupational qualification, exceptions may be made. For example, the Berlitz School of Languages was permitted to require its foreign language teachers to be born and educated in the country where the language they propose to teach is spoken as a native tongue.

Incidentally, the Commission has ruled that "creed" means religious creed only, and does not include political creed. Inquiry into an applicant's membership in the Communist Party or the German-American Bund is permissible.

The annual report is available from the New York State Commission Against Discrimination, 270 Broadway, New York City, free of charge.

**Straw in the wind •** Not long ago a bill was introduced into the California legislature reading as follows:

"No person shall be discriminated against or in any way be refused steady employment under the presump-

tion of physical unfitness by reason of such person having attained a certain age. The arbitrary fixing of a maximum age limit beyond which one is not permitted to apply or compete for employment, whether in private industry or in the civil service, and the enforced or compulsory retirement on account of age alone, in any instance where in all other respects a person is able to satisfactorily perform the work or duties required by the employment in question, is hereby declared to be a disregard of constitutional guarantees, a restraint of freedom and independence, a denial of the right to acquire property and to pursue happiness, and to be against public policy; any other provision of law to the contrary notwithstanding. Nothing in this section, however, shall be construed or interpreted to prevent the giving of employment to persons over 55 years of age on condition that they waive the benefits of any pension plan or system of retirement with pay, which would otherwise obtain, or on condition that they periodically submit to and pass certain tests or examinations to fairly determine their continued physical fitness or qualifications for such employment. This section may be cited as the 'Fair Age Employment Act.'"

**Strikes and insurance payments •** Should an employer continue payments under a non-contributory insurance plan while a strike is in progress? In most cases, panel members at the AMA Insurance Conference seemed to feel, it would probably be well to.

In general, said E. M. Cushing, Director of Industrial Relations, United States Rubber Company, it might be better not to throw in another point of contention. "I assume," he said, "that you want to get the strike settled and get the people back to work. I also assume you're perfectly willing to live with these people and work with them when they do come back. Certainly there is not very much percentage in creating additional issues, which, in all probability, you will have to bargain out before you get the people back to work."

George Rogers, Insurance Manager, Robert Gair Company, reported that some years back his company had succeeded in keeping a contributory plan in force during a strike. By pre-arrangement with the union, stations were established for the payment of employee contributions, and the company had little difficulty in collecting them.

**Stock purchase plans •** Currently there is considerable revival of interest in stock purchase plans for employees and executives. A number of companies have reported to AMA that they are considering plans of this type, and a few are conducting special research on the subject.

Companies are asking such questions as: How have such plans worked out in recent years? Is it customary to sell the stock below market price, and if so, how much below? Should plans be limited to executives? If any member company has completed a survey on this subject, AMA would be very grateful for a report on the findings.

# Activities of the AMA

## Personnel Conference Planned Sept. 26-28

Collective bargaining issues and the personnel problems created by changing production levels are the subjects uppermost in the minds of personnel executives, a survey conducted by the AMA in preparation for its Fall Personnel Conference reveals.

The Conference, which will be held September 26-28 at the Waldorf-Astoria in New York City, will be designed to answer as authoritatively as possible the questions which members are now asking, and to present the latest techniques available in the personnel field. Specifically, members want to know:

*What is the future level of wage rates likely to be?* Personnel executives will, of course, follow closely the progress of the hearings in the steel industry, but they are interested not only in the recommendations that

### **'Workshop Seminars' To Follow Meeting**

AMA will sponsor a series of "Personnel Workshop Seminars," intensive how-to-do-it sessions for groups of 20 to 25 members, in the two and a half days immediately following the Personnel Conference. Subjects for discussion will be: Wage and Salary Administration, Supervisory Development, Personnel Testing, Collective Bargaining, Executive Inventory and Development, Employee Communication, Top Management Organization and Control, Administration of the Personnel Department, Benefit Plans and Job Evaluation.

Full details concerning the seminars will be mailed to members within the next week.

will emerge in that case—and the extent to which any steel settlement may become a pattern for the rest of industry—but in the long-term trends in wage rates and the possible effect of the fact-finding process in steel on future wage rate negotiations. Speakers from both management and labor will discuss this subject at the Conference.

*What will be the results of current bargaining over pensions and other fringe benefits?* Whatever may be the outcome of negotiations now in progress on this issue, the problem is likely to be a continuing one. Employers must determine not only what their policy will be as contracts come up for renegotiation this year, but over the long term. Speakers will be men who have had actual experience in negotiating on this important subject. They will discuss the trends, and the techniques of the negotiating process as well.

*How can the problems created by changing production levels best be solved?* This subject will be examined at a panel session in which representatives of both management and labor will take part.

*What will be the effect of state disability laws on company plans?* It seems clear that the next few years will see the passage of such laws in a good many states

that do not now have them. What will this mean to employers who already have plans of their own? Can existing plans be modified to conform to state laws, and if so, what changes must be made? These and other related questions will be answered by a speaker who is familiar with both the insurance and the personnel aspects of the problem.

*What are the latest techniques in executive training?* A good many companies have become concerned over the fact that they have no replacements available for their executives, and over the haphazard processes by which executives are commonly selected. A report on the procedures adopted by more progressive companies to meet this problem will be presented at the Conference.

*What can the personnel department contribute to cost reduction?* A "bread and butter" panel which will cover such topics as "Auditing the Personnel Department," "Attitude Surveys," "Wage Administration," is scheduled. There will also be an address on "Cost Reduction Through Aptitude Testing."

## **Office Managers to Discuss Methods of Cost Reduction**

"Cost Reduction in the Office" will be the theme of the AMA Office Management Conference, planned for October 20-21 at the Hotel Statler, New York City.

Among the subjects planned for discussion are "Cost Reduction in Office Services" (filing, duplicating, supplies, communication facilities), "Work Simplification," "Auditing Mechanization," "Maintenance of Office Machines." One entire session will be devoted to an "Idea Workshop," at which six five-minute papers presenting actual case stories of proven ideas for cost reduction will be given.

There will also be a session dealing with office personnel programs. Subjects tentatively chosen for discussion include: "Appraising the Office Personnel Program," "Determining Layoffs," and "Employee Participation in Cost Reduction."

Coleman L. Maze, Vice Chairman of the Department of Management and Industrial Relations, New York University, has been reelected AMA Vice President for the Office Management Division by the Association's Board of Directors. He will be in charge of arrangements for the Conference, assisted by members of the Office Management Division Planning Council.

## **New Supervisor's Guide**

AMA will publish *The Supervisor's Management Guide*, a new manual in the series which includes *The Foreman's Basic Reading Kit* and *The Management Leader's Manual*, on August 22. Designed to bring the newest developments in management thinking and methods and methods to supervisors and operating executives, the *Management Guide* presents the best recent material on such important aspects of the managerial job as: building job satisfaction and enthusiasm, preventing grievances, developing leadership qualities, improving communication with employees.



